

A DEPARTMENT  
OF  
MUNICIPAL AUDIT AND EXAMINATION

REPORT ON AN INVESTIGATION  
OF THE  
OFFICE OF COMMISSIONERS OF ACCOUNTS  
NEW YORK CITY

PUBLISHED BY PERMISSION  
OF  
THE COMMISSIONER OF ACCOUNTS  
BY THE  
BUREAU OF MUNICIPAL RESEARCH  
FOR  
PRIVATE CIRCULATION

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NEW YORK, 1907

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## FOREWORD

The critics of American municipal government charge it with waste, extravagance and corruption. Progress in correcting these faults has been groping and patchy, because it has not been clearly understood that waste, extravagance, and corruption are fostered by inefficiency.

Because no governing body can be efficient unless it is informed, a requisite to efficient (so-called good) government is a mechanism that will keep citizen and official currently informed as to what government is actually doing, methods employed, results attained by those methods and community needs not met. Given such mechanism, this Bureau believes that public-spirited officials, civic bodies and the press will be able to translate obscure and misleading public records into an intelligible and illuminating story; to photograph official function and political performance side by side; to make public opinion itself expert in determining the value of official service and administrative method.

The following study shows that neither the officers nor the citizens of New York City can know at present the essential facts as to what municipal government is doing to meet obvious community needs; that for want of information the municipal government of New York City is far less efficient than it should be; that because of inefficiency there is waste of taxes, and inferentially a vast amount of preventable sickness, discomfort, criminality and industrial incapacity; that the most effective (potentially) agency provided by the charter of Greater New York for producing information and for ensuring efficiency is the audit and investigating department known as the office of commissioners of accounts.

After carefully examining the report Mayor McClellan authorized and instructed John Purroy Mitchel, Commissioner of Accounts, to give effect to its recommendations. With the permission of Commissioner Mitchel we are printing a few copies

for private distribution to illustrate (1) the need for municipal research; (2) the welcome reports receive from city officials when based upon scientific investigation; and (3) the appeal that the need for municipal research in all cities of the United States should make to men of means earnestly desiring to improve American municipal government.

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**MADISON SQUARE P. O., NEW YORK CITY**

**Telephone 2709 Gramercy**

## Authority for Investigation

On June 14th, 1907, the Commissioners of Accounts, Hon. John C. Hertle and Hon. John Purroy Mitchel, addressed the following letter to the Bureau of Municipal Research:

"It is our intention, and the wish of his Honor, Mayor McClellan, to so organize the office of the commissioners of accounts that it will fulfil in the most effective manner possible the functions imposed upon it by the charter.

By the appointment of a lawyer in association with a certified public accountant, as commissioners, the mayor has signified his determination to make this office an active agency for carrying out the program of research and investigation which will show where the government of the city should be strengthened and its efficiency increased.

To make more extensive and thorough its periodical examinations of departmental records and accounts, it will be necessary for this office to strengthen its organization.

To accomplish these purposes, we formally invite the co-operation of the Bureau of Municipal Research in undertaking a thorough and exhaustive examination and study of the history of our office, its present activities, methods of work, and organization.

Trusting that it will be possible for the Bureau to co-operate with us in this matter, and assuring you of our appreciation of your past co-operation, we remain,

Respectfully,

(Signed) JOHN C. HERTLE,  
JOHN PURROY MITCHEL,  
*Commissioners of Accounts."*

The Bureau replied:

"The Bureau of Municipal Research welcomes this opportunity for co-operation with your office, because it believes that the office of the commissioners of accounts possesses a very valuable opportunity for promoting the efficient government of this city. We shall make arrangements to begin our active co-operation in a study of your office at the earliest possible date, which we trust will be sometime in the coming week.

Yours very truly,

(Signed) HENRY BRUÈRE

*Director."*

In accordance with the request of the commissioners and the Bureau's reply an examination of the office of the commissioners of accounts was begun by the agents of the Bureau in July, 1907.

## Scope of the Examination

With the full co-operation of the commissioners, the chief accountant, the chief examiners, and the chief of the engineering bureau, inquiry was extended to the following subjects:

- (a) Examination of the statutes and of the charter under which the office of the commissioners of accounts is organized and conducted.
- (b) Inquiry as to the present organization of the office.
- (c) Interview with the chief of the engineering bureau and his assistants respecting the purposes and methods of this bureau, and an examination of the methods employed in the work of the chemical and physical laboratories.
- (d) Examination of the office records and files and examination and tabulation of reports for the purpose of ascertaining the volume and character of work performed by the commissioners of accounts from 1885 to 1906.
- (e) Examination and analysis of the pay-rolls of the office for the year 1906 for the purpose of determining the time employed and the expense involved in making the several audits and examinations conducted during that year.
- (f) Interviews with the commissioners and chief accountant respecting the method of conducting the office.
- (g) Interviews with each of the chief examiners as to the methods employed by them in making audits and examinations in the several departments of the city.
- (h) Examination of the accounts, conditions and methods as they exist in the several departments where audits were made.
- (i) Interviews with the accountants and examiners for the purpose of determining their qualifications and efficiency.
- (j) Discussion with the commissioners, chief accountant, chief examiners, chief of the engineering bureau, and accountants and examiners employed in the office as to the manner in which the work of the department might be extended and improved.

#### **(A) Statute and Charter Provisions Governing the Office**

The office of the commissioners of accounts had its origin in the disclosures of the Tweed scandals. Through the efforts of Samuel J. Tilden and Charles O'Connor, leading members of the Committee of Seventy, a law establishing the office was passed by the legislature in 1873. The motive of its establishment was to provide a means of preventing a combination of the city officials (such as comptroller or chamberlain, or either



of them) with any other person or persons for the purpose of looting the city treasury. By the law above referred to, *an office was created* which would be *independent* of all the other departments, and which would be *responsible for the correctness of the accounts and for the detection of irregularities and of unauthorized or fraudulent practices*. The incumbents of this office were to be appointed by the mayor, and removable at his pleasure. This power was upheld by a decision of the court of appeals, November 9th, 1880.

The act establishing this office of the commissioners of accounts reads as follows:

"The mayor shall from time to time appoint and remove at pleasure two persons who, together with the President of the department of taxes and assessments, shall be commissioners of accounts. It shall be their duty once in three months and oftener if they deem it proper, to examine all vouchers and accounts in the offices of the comptroller and chamberlain to make and publish in the *City Record* a detailed statement of the financial condition of the city, showing the amount of its funded and floating debt, the amount received and expended since the past preceding report, with the classification of the sources of revenue and expenditure and such other information as they shall deem proper. They shall, from time to time, make an examination of the expenses of the several departments and officers, and make such recommendations to the board of apportionment and other officers with reference thereto and particularly with reference to salaries and duties as they deem advisable. Any one of such commissioners shall have authority at any time to make such examination, and such two appointed commissioners shall be paid a reasonable compensation to be fixed as other expenditures by the board of apportionment, not exceeding \$3,000 each annually."

This measure was found to be inadequate. Authority to examine was limited to vouchers and accounts and the evidences of record supporting them. The frauds to be detected were those which usually left no trace of irregularity in the voucher files and accounts. To reach such evidence, it would be necessary to give to the commissioners of accounts authority to subpoena witnesses, to examine them under oath, and to have produced as evidence the books and papers of persons dealing with the city. An amendment was, therefore, passed in 1882, enlarging the powers of the commissioners, an excerpt from which follows:

"For the purpose of ascertaining facts in connection with these examinations, they (the commissioners of accounts) shall have full power to compel the attendance of witnesses, to administer oaths and to examine such persons as they may deem necessary."

Under the above quoted provision of law it has been recently held that upon application of the commissioners setting forth the refusal of witnesses to appear and testify before them, the supreme court has power to commit witnesses for contempt. The office of the commissioners of accounts was given much the same power as that of a legislative commission. By holding authority to compel the production of evidence which does not appear in the records, the office of the commissioners of accounts *since 1882 has possessed all of the authority necessary (1) to the protection of the city against speculation and fraud, (2) to make it one of the most effective branches of the government.*

The legal provisions above set forth were incorporated in the charter of consolidation in the year 1898, at which time there was also added a clause to the effect that at least one of the commissioners should be a man trained to the profession of accounting. Section 119 of the charter of New York is as follows:

"The mayor shall appoint and remove at pleasure two persons who shall be commissioners of accounts, one of whom shall be a certified public accountant. It shall be their duty, once in three months, to make an examination of the receipts and disbursements in the offices of the comptroller and chamberlain, in connection with those of all the departments and officers making returns thereto, and report to the mayor a detailed and classified statement of the financial condition of the city as shown by such examinations. They shall also make such special examinations of the accounts and methods of the departments and offices of the city and of the counties of New York, Richmond, Queens and Kings, as the mayor may from time to time, direct, and such other examinations as the said commissioners may deem for the best interests of the city, and report to the mayor and the board of aldermen the results thereof. For the purpose of ascertaining facts in connection with these examinations they shall have full power to compel the attendance of witnesses, to administer oaths and to examine such persons as they may deem necessary. Such commissioners shall each be paid the sum of five thousand dollars a year. The board of estimate and apportionment and the board of aldermen shall annually appropriate a sum sufficient to pay the salaries of said commissioners, and in the discretion of said board and the board of aldermen a sum sufficient to enable them to employ the necessary assistance to carry out the provisions of this section."

In connection with the office of city chamberlain, the duties of the commissioners of accounts are specifically set forth in section 195 of the charter as follows:

"The accounts of the chamberlain shall be annually closed on the last day of December and shall be examined in the month of January in each year by the commissioners of accounts. Such commissioners shall examine the accounts and vouchers

of all moneys received into and paid out of the city treasury during the year ending on the last day of December next preceding such examination, and shall certify and report to the mayor and board of aldermen in the following month of February the amount of moneys received into the treasury during such year, the amount of moneys paid out during the same period by virtue of warrants drawn on the treasury by the comptroller, the amount of moneys received by the chamberlain who shall be in office at the time of such examination, if he entered upon the execution of his duties since the last preceding report, the balance in the treasury on the last day of December preceding such examination, the amount of moneys borrowed for or on the credit of the city during such year and the amount of the bonds of the city issued during each year, with the purposes for which and the authority under which such bonds were issued. Such commissioners shall also compare the warrants drawn by the comptroller on the treasury during the year ending on the last day of December preceding such examination, with the several laws and ordinances under which the same shall purport to have been drawn, and shall in like manner certify and report whether the comptroller had power to draw such warrants, and if any shall be found which, in their opinion, he had no power to draw, they shall specify the same in their report, with their reasons for such opinion."

(B) Organization of the Office

The general organization of the office at June 30, as shown by lists furnished by the commissioners of accounts, is as follows:

I.	<i>General administration:</i>		
	(a) Commissioners of accounts.....	2	
	(b) Chief accountant .....	1	
	(c) Office force .....	5	8
II.	<i>Audits and special examinations:</i>		
	1. Recording comptroller's vouchers and examining returns from chamberlain's office, under mandatory provisions of sec. 195:		
	(a) Examiners of accounts .....	3	
	(b) Accountants .....	3	
	(c) Clerks .....	2	8
	2. Audit of books of city courts:		
	(a) Chief examiner .....	1	
	(b) Examiners of accounts .....	4	
	(c) Accountants .....	6	11
	3. Audits and examinations of other city departments:		
	(a) Chief examiners .....	5	
	(b) Examiners of accounts.....	7	
	(c) Accountants .....	10	
	(d) Clerks .....	4	26
III.	<i>Detectives attached to the office.....</i>		2
IV.	<i>Engineering bureau:</i>		
	(a) Chief engineer .....	1	
	(b) Examining engineers .....	2	
	(c) Inspectors .....	8	
	(d) Chemist .....	1	
	(e) Mechanical laboratory .....	1	13

v. *Permanently assigned to other offices:*

## 1. Mayor's office:

(a) Law examiner .....	1
(b) Examiner of accounts .....	1
(c) Accountants .....	2
(d) Clerks .....	1

## 2. Salaries and grades commission:

(a) Chief examiner .....	1
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## 3. Corporation counsel:

(a) Chief examiner .....	1	7
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*Total number employed in office* .....75

Under the commissioners, the general administration of the office is directed by a chief accountant, who in their absence represents the commissioners. Upon him rests responsibility for the form and phraseology of the reports submitted by the chief examiners, but he exercises no supervision over the work of the examining force. The office force consists of a chief clerk who has charge of the records and files, two stenographers and two office boys. The audits and special examinations of departments are conducted under the direction of chief examiners, of whom there are eight at present on the pay-roll of the office. Two of the chief examiners, however, are at this time assigned to special work not under the direction of the commissioners of accounts, and which does not involve supervision of any part of the working staff. Under the direction of the chief examiners, examiners of accounts and accountants are assigned to perform the actual work of departmental audits and investigations. The six chief examiners at this time in charge of departmental examinations, are:

1. Edward F. Boyle, in charge of the audit of the bureau of licenses, municipal, magistrates, special sessions, county surrogates and city courts;
2. Wood D. Loudoun, in charge of the examination of the offices of the borough presidents and the department of parks;
3. John W. Booth, who supervises the audit of the police department and the department of docks and ferries;
4. Frank P. White, supervising the audit of the department of water supply, gas and electricity and the fire department;
5. Rudolph Holde, supervising the audit of the department of corrections, department of public charities and Bellevue and allied hospitals;
6. James A. McGinley, in charge of various special audits and examinations, during the year 1906 having examined the pound master of the Bronx, the department of health, receiver of taxes, Brooklyn licenses and permits, department of parks, Manhattan and Richmond.



The two remaining chief examiners who are reported by the commissioners as assigned to other offices are as follows: J. L. M. Allen, assigned to the salaries and grades commission and R. T. Brennan to the corporation counsel's office.

In June, 1907, the six chief examiners were in charge of squads of examiners of accounts, accountants and clerks as follows:

- To Edward F. Boyle, 4 examiners of accounts and 6 accountants;
- To Wood D. Loudoun, 2 examiners of accounts, 3 accountants and 1 clerk;
- To John W. Booth, 2 examiners of accounts and 3 accountants;
- To Frank P. White, 1 accountant;
- To Rudolph Holde, 2 examiners of accounts, 1 accountant and 1 clerk;
- To James A. McGinley, 1 examiner of accounts, 2 accountants, 2 clerks.

Pursuant to section 195 of the charter, six of the employes of the office are constantly at work examining the vouchers passed for payment by the department of finance. The squad engaged in this work is as follows: Two examiners of accounts, two accountants and two clerks registering and recording vouchers. An accountant and an examiner of accounts are permanently employed on warrants drawn on the city chamberlain. Four members of the staff are permanently assigned to the mayor's office, where they are engaged in registering warrants, revenue bonds and corporate stock. The law examiner is also attached to the mayor's office, to investigate the mayor's marshals.

### (C) The Engineering Bureau

The engineering bureau is under the immediate charge and direction of Chief Engineer Otto H. Klein. The principal work of the bureau is that of examining the work in progress on streets and sewers under contract, and of making such special examinations of other engineering work as may be requested by the mayor. In the engineering bureau is also maintained a chemical and physical laboratory. On inquiry, it was represented that the method of conducting the office of the engineering bureau is as follows:

As contracts are let by the bureau of highways and the bureau of sewers in each of the city boroughs, the specifications

are sent to the engineering bureau, where they are filed for reference. Upon receipt of notice of the commencement of work under each of these contracts, from the chief engineers of the bureaus of highways and sewers, or from the president of the borough, these contracts are placed on the list of work in progress. For the purpose of informing the chief of the bureau of engineering as to the work to be currently inspected, a pencil memorandum is kept in the office upon which are indicated the contracts under construction and the daily assignments of inspectors to the work. Inspectors so assigned report daily inspections made, noting in such daily reports the contract inspected, the nature of the work in progress, whether an inspector of the bureau of highways or the bureau of sewers was present, and whether any violation of contracts was noted. The inspectors are also relied upon to bring to the office samples of material used for the purpose of making tests. These samples so returned by the inspectors are tested in the chemical laboratory, the physical laboratory, or both, as the case may require. Reports on such tests are made by the chemist or by the head of the physical laboratory on forms provided by the department. A record is kept of each contract under inspection in which is entered the result of each inspection with the details as above referred to, violations of contract being registered in red ink. When violations are reported by the inspectors, an examining engineer is assigned to make special inquiry, and in case the report of the inspector as to the violation is supported by the report of the engineer, the engineering bureau makes a report on such violation to the commissioners of accounts.

The personnel of the bureau, together with the salaries and dates of employment, is represented by Assistant Engineer Gormly as follows:

	<i>Salary</i>	<i>Date of employment</i>
Chief engineer, Otto H. Klein.....	\$4,500	2-'96
2 Engineers (Welton) .....	2,700	10-'02
(Gormly) .....	1,800	6-'98
Welton has charge of the physical laboratory, makes inspections, etc.		
Gormly has charge of the office, assigning of inspectors, etc.		
9 Inspectors:		
1. Keyes .....	\$1,500	3-'07
2. Ralph .....	1,500	1-'07
3. Fitzpatrick .....	1,500	6-'02

4. McGann .....	1,800	10-'04
*5 Cody .....	1,800	6-'05
6. Moss .....	1,500	12-'06
7. Frank .....	1,500	4-'04
8. Kuhn .....	1,800	2-'04
†9. Tracey .....	1,200	6-'98
I Laborer—Miller		
Skilled mechanic, in charge of		
cement laboratory .....	1,200	6-'03
I Chemist—Peckham .....	2,000	6-'98

#### (D) Volume and Character of Work Performed by the Commissioners of Accounts

An examination was made of the office records and files for the purpose of ascertaining the volume and character of the work performed by the commissioners of accounts from 1885 to date. In the tabulation of results, distinction is made between "audits" and "financial examinations." This distinction is one used in the office, an "audit" being understood as limited to a verification of the accounts, while a "financial examination" is understood to include an examination into and comparison of financial results, usually in the nature of a report on some special phase of the city's business.

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† Noted in the civil list as examiner of accounts

\* Noted in the civil list as transferred to corporation counsel's office

TABLE OF WORK DONE BY THE COMMISSIONERS OF ACCOUNTS  
DURING THE YEARS 1885-1897 and 1898-1906

Period before consolidation, 1885-1897

Classification of reports	Years															Total
	85	86	87	88	89	90	91	92	93	94	95	96	97			
Audit . . . . .	2	6	2	19	5	4	2	1	6	8	1	13	5	74		
Financial examination	2	7	10	5	3	7	7	5	1	1	7	7	8	70		
Method . . . . .	2	4	1	—	1	2	4	—	3	3	—	2	3	25		
Policy . . . . .	11	7	7	10	4	4	1	7	2	4	8	4	4	73		
Tabulation . . . . .	—	1	—	—	—	—	2	—	—	—	—	1	—	4		
Estimate . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Engineering																
Tests and analyses . .	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Contract and construction . . . . .	—	3	—	—	1	—	—	—	—	—	—	1	3	8		
Total . . . . .	17	28	20	34	14	17	16	13	12	16	16	28	23	254		

Period after consolidation, 1898-1906

Classification of reports	Years									Total
	98	99	00	01	02	03	04	05	06	
Audit . . . . .	24	79	82	44	74	60	82	79	78	602
Financial examination	19	45	47	90	54	38	22	16	18	349
Method . . . . .	5	26	22	3	8	3	4	5	3	79
Policy . . . . .	33	14	36	5	54	14	17	23	10	206
Tabulation . . . . .	2	9	—	1	5	4	6	18	15	60
Estimate . . . . .	14	14	71	75	4	—	103	102	1	384
Engineering										
Tests and analyses . .	14	46	6	3	24	28	12	28	14	175
Contract and construction . . . . .	41	34	21	21	18	34	11	6	13	199
Total . . . . .	152	267	285	242	241	181	257	277	152	2054

For details see exhibit A\*

\*Exhibits are omitted from this abridged edition



PROPORTION OF DEPARTMENTS AND INSTITUTIONS INVESTIGATED TO TOTAL NUMBER OF DEPARTMENTS AND INSTITUTIONS SUPPORTED BY CITY—1898-1906

Year and administration	City departments				Private institutions receiving city money			
	Number	Audited	Not Audited	% not Audited	Number	Audited	Not Audited	% not Audited
<i>Mayor Van Wyck</i>								
1898 . . . . .	92	17	75	81.53	196	2	194	98.98
1899 . . . . .	103	19	84	81.56	108	18	90	83.34
1900 . . . . .	103	33	70	67.96	178	1	177	99.41
1901 . . . . .	110	28	82	74.55	141	—	141	100.00
Average . . .	102	24	78	76.47	155	4	151	97.42
<i>Mayor Low</i>								
1902 . . . . .	124	27	97	78.23	140	—	140	100.00
1903 . . . . .	124	23	101	81.46	139	—	139	100.00
Average . . .	124	25	99	79.84	140	—	140	100.00
<i>Mayor McClellan</i>								
1904 . . . . .	124	20	104	83.87	140	—	140	100.00
1905 . . . . .	124	17	107	86.29	135	—	135	100.00
1906 . . . . .	124	17	107	86.29	133	—	133	100.00
Average . . .	124	18	106	85.49	136	—	136	100.00
<i>Mayors Van Wyck, Low, McClellan . .</i>								
	114.22	22.88	91.34	79.27	143	2	141	98.71

FREQUENCY OF AUDIT DURING NINE YEARS—1898-1906

Items	Van Wyck 1898-1900	Low 1901-1902	McClellan 1903-1906	Period 1898-1906
Average No. of city departments . . .	102	124	124	114.22
“ not audited . . . . .	78	99	106	91.34
“ audited . . . . .	24	25	18	22.88
Audited one year . . . . .	28	13	9	24
“ two “ . . . . .	7	16	9	14
“ three “ . . . . .	9	—	9	7
“ four “ . . . . .	6	—	—	3
“ five “ . . . . .	—	—	—	0
“ six “ . . . . .	—	—	—	0
“ seven “ . . . . .	—	—	—	5
“ eight “ . . . . .	—	—	—	4
“ nine “ . . . . .	—	—	—	5

**(E) Examination and Analysis of Pay-roll for the Year 1906**

Seeking to determine the cost of making audits and examinations of different departments by the office of commissioners of accounts, a complete analysis was made of the time sheets for the year 1906. In making this analysis, serious difficulty was experienced on account of the inadequate information in the office from which it might be determined where an employee was engaged and in some instances whether he was employed at all. Frequently, men were reported as working on two different squads at the same time. Again, certain time sheets were missing from the office, in which cases the time is shown in the analysis as "unaccounted for." Where there was no record of employment on the time sheets on which the name of the employee appeared, or where the employee was noted as "sick," "excused" or "absent," this time has been classified as "unemployed." Where the time sheets gave the fact of employment but not the place where the employee worked, this time has been noted as "undistributed."

As a result of the analysis, (given in detail and summary, Exhibit C,) several general facts are to be noted:

(1) That with a total pay-roll cost of about \$143,000, not to exceed \$110,000 was actually spent in the proper work of the department, even when the time shown as "unaccounted for," "unemployed" and "undistributed" is included. That is, over \$30,000 of the budget allowance to this department was used for other departments.

(2) That following the custom instituted during the Low administration, \$5,485.11 of the appropriation to the office of the commissioners of accounts was used for bookkeeping in the mayor's office; \$4,388.17 was definitely located as having been used in clerical service for the salaries and grades commission; about \$500 was used on work for the corporation counsel and \$20,551.67 was used for inspections on work in progress, which should have been inspected by the comptroller.

(3) That less than \$70,000 was definitely located as having been consumed in the actual work of audits and examinations, about \$18,000 having been spent for general administration, \$11,300 appearing as undistributed, \$10,500 as unemployed and \$2,700 as unaccounted for.

In the analysis of cost of making audits and examinations by departments two results are shown: (1) The cost actually distributed as it appears on the time sheets; (2) The actual cost plus a loading sufficient to cover general administration and the undistributed, unemployed and unaccounted for time, as follows:

<i>Departments Examined</i>	<i>Cost Actually Distributed</i>	<i>Loaded to Cover Undistributed Cost</i>
Finance .....	\$18,558.16	\$30,620.96
Water supply, gas & electricity..	2,180.52	3,597.85
Fire .....	1,264.85	2,087.00
Docks and ferries .....	3,748.97	6,185.80
Police .....	1,231.17	2,031.43
Borough presidents .....	4,623.73	7,629.16
Parks .....	4,049.35	6,681.43
Health .....	771.45	1,272.89
Corrections .....	403.42	665.64
Bellevue & allied hospitals....	3,068.29	5,062.68
Charities .....	2,752.24	4,541.20
Courts .....	14,450.44	23,843.23
License bureaus .....	581.93	960.18
Street cleaning .....	2,396.01	3,953.42
City record .....	3,131.11	5,166.33
Other examinations .....	3,638.98	6,004.32
	\$66,850.62	\$110,303.52

This analysis is significant. The actual located cost to the city of the examination of the finance department as at present made exceeds \$18,500; the loaded cost is nearly \$30,000. The amount expended by the city for the audit of the office of comptroller would seem to approximate an amount sufficient to make a complete audit of this department. On the other hand, the result achieved is not in any sense an audit, it being in the nature of a verification, in gross, of the total expenditures and total receipts, as shown on the books of the comptroller and the city chamberlain, by means of a duplicate record kept in the office of the commissioners of accounts.

The expensiveness of making audits by the methods employed is also illustrated in the cost of examining other departments, where audits were annually made. Over \$3,000 is definitely shown as having been spent in the audit of Bellevue and allied hospitals. When this distributed cost is loaded with the cost of administration and the undistributed items above referred to, the cost approximates \$5,000. This department has no revenue; expenditures only are to be audited. The total expense

appropriation for Bellevue and allied hospitals was about \$700,000. Assuming for the sake of the comparison that the work involved in the audit of expenditures of this department is not extraordinary, it *would, at the same rate, cost the city not less than \$1,000,000 per annum to make a complete audit of its revenue and expense accounts.* The cost actually distributed to the audit of the *City Record* is \$3,131; when loaded with the general and undistributed cost above referred to, this audit would appear as having cost the city over \$5,000, a rate so high as to indicate that the audit, even if thorough, is wasteful and badly managed.

Assuming the highest efficiency, a study of the cost of the annual audits of all departments leads to the conclusion that the *management has not been economical*, and this conclusion is borne out both by observation of methods and by the representations of the staff itself as to methods employed. Moreover, in many instances it is clear that the *audits were inconclusive and of questionable value.*

That the office *lacks discipline* and a *sufficient control* over its employees is also apparent. The following is the analysis of the time sheet of Mr. J. E. McCloskey, who was employed on work in the office, where his absences and hours of work might be observed. He was noted as tardy on 32 days out of his first 75 days, aggregating 50 hours and 40 minutes; after this time, tardiness seems not to have been regularly kept in any of the time sheets. He was also absent 37 days during the year, besides holidays and his regular vacation. *If such a state of affairs could prevail under the very eyes of the commissioners, little control might be expected over the men who were employed in the field.*



OFFICE LACKS DISCIPLINE

RECORD OF TARDY ATTENDANCE OF J. A. McCLOSKEY ON  
DAYS PRESENT AT THE OFFICE OF COMMISSIONERS  
DURING THE YEAR 1906

Week	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Total
1	H	—	1.20	.15	.55	1.10	2.40
2	1.25	.35 A½	—	—	—	.50	2.50
3	.15	—	—	—	—	—	.15
4	.30	1.20	—	1.00	A½	E	2.50
5	1.00	1.50	—	1.20	.50	—	5.00
6	—	1.15	1.10	—	—	—	2.25
7	H	—	1.20 A½	—	1.15	—	2.35
8	S	—	E	H	E	E	—
9	A	1.15	—	1.15	—	1.05	3.35
10	—	—	—	—	—	—	—
11	—	—	3.40	S	S	S	3.40
12	—	—	4.00	3.40	—	—	7.40
13	—	—	—	—	—	—	—
14	—	—	—	—	—	—	—
15	A½	—	—	.20	—	.40	.60
16	—	4.15	1.00	5.40	4.00	—	14.55
17	—	1.15	—	—	—	—	1.15
18	No tardiness record kept after 17th week						
19	—	—	—	—	—	—	—
20	—	—	—	—	—	—	—
21	—	—	H	—	—	—	—
22	—	—	—	—	—	—	—
23	—	—	—	—	—	—	—
24	—	—	—	—	—	—	—
25	—	—	—	—	—	—	—
26	—	—	—	—	—	—	—
27	* —	—	H	—	—	—	* —
28	* —	—	—	—	—	—	* —
29	* —	—	—	—	—	—	* —
30	* —	—	—	—	—	—	* —
31	* —	—	—	—	—	—	* —
32	* V	V	V	V	V	V	* —
33	* V	V	V	V	V	V	* —
34	* V	V	V	V	V	V	* —
35	* ?	?	?	?	?	?	* —
36	H	—	—	—	—	—	—
37	—	—	—	—	—	—	—
38	—	—	—	—	—	—	—
39	E	E	E	—	—	—	—
40	—	—	—	—	—	—	—
41	—	—	—	—	S	S	—
42	S	S	S	S	S	S	—
43	S	S	S	S	S	S	—
44	S	S	S	S	S	S	—
45	S	S	S	S	S	S	—
46	—	—	—	—	—	—	—
47	—	—	—	—	—	—	—
48	—	—	—	H	—	—	—
49	—	—	—	—	—	—	—
50	—	—	—	—	—	—	—
51	—	—	—	—	—	—	—
52	—	H	—	—	—	—	—
							50.40 hrs. min. first 17 weeks

H—Holiday

E—Excused

V—Vacation

A—Absent-unexcused

S—Sick

\*—9 A. M. to 3 P. M. day's work

### (F) The Method of Conducting the Office

In the conduct of the office there was found to be a lack of system by which the commissioners and the chief accountant might intelligently direct the examinations and locate responsibility for the character of the work performed. It is stated by those in charge of the office that, after assigning an audit or investigation to a chief examiner, both the method employed and the results to be obtained are left entirely to the one in charge. In answer to the question as to whether the chief accountant or the commissioners attempted to supervise the work in the field, it was stated that no such supervision was given. It was further stated that *no attempt was made to verify the reports by working papers* or other data taken from the books by examiners of accounts or accountants engaged in making the audit. In the office, *no files were found in which working papers were regularly and systematically preserved for reference*, it being stated that the responsibility was placed entirely on the chief examiner without review, inspection, or supervision; that the chief examiner preserved the working papers in such manner and for such time as he thought expedient. For the conduct of audits and examinations each chief examiner was said to be a law unto himself, being left free to develop his own method, there being no established policy or prescribed method for guidance, and no kind of check by means of which summaries, exhibits and schedules might be verified, and the work in the field controlled.

### (G) Methods of Making Audits and Examinations in the Several Departments of the City

The audits and examinations made by the commissioners of accounts in the several departments of the city either fall under the specific provisions of section 195, or under the general provisions of section 119 of the charter. Section 195 provides that the commissioners of accounts "shall examine the accounts and vouchers of all monies paid into and paid out of the city treasury" and "the amount of monies borrowed for or on the credit of the city \* \* \* and the amount of the bonds of the city issued \* \* \* with the purposes for which and the authority under which such bonds were issued." This section of the charter further

provides that "such commissioners shall also compare warrants drawn by the comptroller on the treasury \* \* \* with the several laws and ordinances under which the same shall purport to have been drawn, and shall in like manner certify and report whether the comptroller has power to draw such warrant."

Pursuant to a construction of provisions of the section 195, above referred to, the office of the commissioners of accounts now keeps the following records:

(1) Voucher and warrant register for the registration of warrants serially by boroughs.

(2) Voucher and warrant registers for warrants drawn on county funds.

(3) A record of chamberlain's receipts and payments consisting of five ledgers in which are kept accounts, with expenditures and receipts by appropriations, special and trust funds, and sinking fund accounts.

(4) A record of registered interest checks remaining unpaid in the hands of the stock and bond clerk and of stocks and bonds issued and cancelled.

(5) A memorandum record for the purpose of controlling the accuracy of posting to the record the chamberlain's receipts and payments.

(6) Appropriation ledgers, and special trust ledgers.

In this relation, it is suggested that a much broader and better interpretation may be given to the charter provision under which this work is said to have been done. The records described are in the nature of a duplication of the records kept in the office of the comptroller and city chamberlain to the keeping of which eight of the office staff are regularly assigned. These books are posted from vouchers and warrants and other original data which pass through the office. Section 195 provides that the commissioners of accounts shall in the month of January of each year *examine* the accounts of the city chamberlain. *The making of a duplicate record* and the comparison of results *does not constitute an examination of accounts*. This section also would seem to contemplate an audit of the books of the comptroller to determine whether or not warrants have been drawn according to law. Notwithstanding the fact that the law requires the commissioners to "report whether the comptroller had power to draw such warrant," it is stated both by the chief accountant and by the bookkeepers of the office of comptroller that no at-

tempt has been made on the part of the office of the commissioners of accounts to audit the books of the comptroller and that no attempt is made to establish whether or not, at the time warrants were drawn, there was a balance in the appropriation or fund sufficient to meet the warrant.

In keeping the record of chamberlain's receipts and payments, the commissioners accept as a basis for the entries the weekly "accounts-current" of the chamberlain. These weekly "accounts-current" are supported by daily schedules submitted by the chamberlain to the comptroller. On receipt of the weekly "accounts-current" by the comptroller, they are checked and proved to the schedules. This check is accepted by the commissioners of accounts without question, and without going into the details of items contained in the schedules supporting the debit side of the accounts-current. *In other words, the function of the office has heretofore been that of making a duplicate record from a secondary source where the law contemplates an audit.*

In relation to the duties imposed by charter with respect to the debt of the city, a statement is prepared by the commissioners of accounts showing the checks drawn and payment of interest on registered stocks and bonds, which shows the balance paid and unpaid in the hands of the city chamberlain. This statement is drawn from a record kept for the purpose. This record is made from sheets compiled by the stock and bond clerk and by comparison of the same with checks when returned to the stock and bond clerk. The items remaining unchecked are totalled, thus showing the balance of the interest fund remaining in the hands of the city chamberlain. In the registry of checks for the payment of interest on registered bonds, however, no attempt is made to ascertain whether or not the accounts that show the accruals of interest have been properly kept, or whether the checks drawn agree with the accruals as shown by the record that is kept.

Neither does the office of the commissioners of accounts attempt to audit the books of the stock and bond clerk. An account-current is rendered by the stock and bond clerk showing the principal amount received on bond sales, describing the issues and showing in detail whence the receipts were obtained as well as the amounts paid for redemption and cancellation, which account-



current is checked and a transcript thereof made in the office of the stock and bond clerk. But no attempt is made to determine the amount of bonds actually issued or the amount of bonds actually redeemed, and no attempt is made to verify the records in the office of the stock and bond clerk from original sources of information. In cases where premiums are received on bond sales, the records show that a premium has been received and that an amount has been received or paid as premium on bonds issued or redeemed. But there is no method employed by the office of the commissioners of accounts for the verification of the accuracy of such premium, and no attempt has been made by the office of commissioners of accounts to check the cancellation of coupon bonds issued by the city.

With respect to the audit of the several departments of the city, the charter seems to give the fullest powers to the commissioners. Not only is power given to examine, but the charter enjoins a complete audit of the receipts and disbursements of the offices of comptroller and of the city chamberlain, "in connection with those of all of the department and offices making reports thereto." Notwithstanding this requirement, many of the departments have been entirely ignored, and in the departments where audits have been made, it appears, from the reports themselves and from statements of the examiners, that in many instances they have fallen short of complete audits. In a number of departments receiving revenue, the amount of the cash actually received, as shown by the record, had been checked and proved to the amount of cash deposited with the city chamberlain. It appears, however, that *little or no attempt was made to determine whether or not the city actually received all of the revenue it should have received from the sources indicated.*

An example of this kind is found in the audit of the bureau of licenses where the record of the cash receipts is carefully checked to the stubs of licenses issued, which stubs note the class of license issued, whether or not the license was a new license or a renewal license, and the amount of the charge for such issue. The examiner verifies the correctness of the charge according to the class noted on the stub and checks this amount to the cash book. This, however, is not a verification of the amount which should have been received, since the clerk making the entry on

the stub might have made a mistake to the advantage of the cashier, or there might have been collusion between the license clerk and the cashier without discovery; no adequate method or complete check is employed for determining whether or not the notation on the stub used in verifying the cash is properly made. In one of the license bureaus it was recently discovered that such collusion did exist, it being a regular practice to enter up a new license as a renewal. The charge for a new license being in most instances double the charge of a renewal license, failure to determine whether the license as issued corresponds to the notation on the stub, gives to employees of the bureau of licenses an opportunity to divert to their own use a considerable portion of the city's revenue. Another example of this kind is found in the department of water supply, gas and electricity. The method of audit is that of proving that the record of cash shown on the cash books is clerically correct and corresponds to the record of cash received from the department of water supply, gas and electricity by the city chamberlain. These cash records are checked in detail, the cash record in the meter division, which is a copy of the record kept in the regular rate book so far as pertains to the meters, being checked back in detail to the regular rate book. Aside from proving the clerical accuracy of the cash records and verifying the deposits with the city chamberlain, it could not be ascertained that the audit has any particular value. It is defective in the following respects: The charges on the regular rate book against properties are not verified as to proper charges; the regular rate books are not footed and balanced; the charges on the meter rate books are not verified as to proper charges; the meter books are not footed and balanced; no attempt is made to determine whether or not the total amount shown on the regular rate books and the total amount shown on the meter books are accounted for in cash collection and arrears, as such arrears appear on the books of the bureau of assessments and arrears. The audit does not extend to departmental expenditures; neither is inquiry made as to whether these expenditures are according to law; nor as to whether vouchers drawn for the issue of warrants are for the payment of proper claims against the city. The significance of lack of inquiry of the character last mentioned is further illustrated in the investigation recently made

of the office of the borough president of Manhattan which has been regularly audited by the commissioners of accounts.

#### (H) Conditions Within the Several Departments Unfavorable to the Making of Effective Audits and Examination

While it is admitted by all parties concerned that the examinations and audits heretofore made by the commissioners of accounts have not been what they should have been, the failure to meet all of the requirements of the charter must be considered in the light of the conditions under which the office has been required to operate. The office, with its present staff and budget, could not have made complete audits of all the departments of the city. Under present conditions, this could not have been done even with a much larger number of examiners; *with few exceptions the revenue accounts of city departments are not under control; when expense accounts are kept, as distinct from appropriation accounts, these are not under control.* With such accounting conditions prevailing, the only method by which a complete audit may be made is by means of a check in detail. A verification of revenue accounts, for example, would involve a detail check of revenue charges and a detail check of revenue collections against these charges. Were the records of revenue charges under control, these might be currently checked and proved by the administrative staff of the respective departments. In such case, the checking in detail of all transactions shown in the subsidiary records would give way to a verification of controlling methods and accounts, and to the determination of the fact as to whether the control as exercised by the regular accounting officers is effective. Under a controlled method of accounting the labor involved in the making of a thorough audit is but a small portion of the labor required in making an audit of accounts not under control.

In no place is a better illustration to be found of defective methods of accounting than in the two departments mentioned, the bureau of licenses, and the department of water supply, gas and electricity. *If a plan had been studiously devised to defeat a thorough audit it could not have been more effective than the form of accounting at present used in the bureau of licenses.* To an extent the same conditions prevail in the department of

water supply, gas and electricity. It is most difficult under present conditions even to prove the clerical accuracy of the books. The ledgers of the department are not currently balanced. *Proof of the assets of the city as at present contained in the form of charges for water would employ a staff continuously.* A part of the problem of obtaining a proper audit of the books of the city is, therefore, to devise and install a system that would lend itself to proof and control with greater facility and less cost than do the present accounting methods.

### (I) Qualifications and Efficiency of the Staff

With a view to determining the experience and special qualifications of the various members of the staff of the office, all of the chief examiners, all of the accountants and a number of the examiners of accounts were interviewed, as well as members of the engineering bureau. While it is not our purpose at this time to report upon the specific qualifications of each of these persons, we were able to secure from them a general statement with respect to their experience previous to appointment, and their views, if any, with regard to strengthening and enlarging the scope of the office's activity. We shall furnish in a separate report the details of these interviews, inasmuch as they are confidential in character and relate only generally to the subject matter of this report. It may be said broadly, however, that *no standards of efficiency have been established in this office*; that appointments have been made in many instances for purely personal or political reasons; that no attempt has been made to grade or ascertain in a methodical manner the special fitness of any of the employees; that so far as we have been able to ascertain, promotions are not based either upon length of service or upon character of the work, but upon the ability of the employee to secure a hearing for his request for increase of salary.

### Irregularities

In the course of this examination certain practices were reported concerning which it seemed necessary to make specific inquiry before reporting on the conduct of the office. The prac-



tices referred to were in the nature of alleged violations of section 1561 of the charter which provides that:

"No officer or employe of The City of New York \* \* \* shall detail or cause any officer, employe, or subordinate of the city \* \* \* to do or perform any work, outside of his public office, work or employment."

Such regulation being for the protection of the office, the reported infractions of it were first discussed with the commissioners and later taken up with the examiners, accountants and office staff. A number of the employees of the office made specific statements to the effect that they had been detailed to work for the private accounting firm of Hertle, Cook and Decker, of which firm one of the commissioners and the auditor of the board of education are members. One Charles D. Schenck, an accountant in the office of commissioners of accounts, made an affidavit in which he stated that he had worked on one audit of said accounting firm for about five weeks, and on another audit for about one week, from 9 A. M. to 5 P. M., during all of which time he had received full compensation as an employee of the city; that he had been assigned to the work and was compensated therefor by Commissioner Hertle; and that no part of this work was performed during his vacation time. This affidavit was corroborated by depositions, said corroborating evidence being hereto attached, marked "Exhibit B."

It should be said that while admitting that he assigned men to work for his private firm, Commissioner Hertle denies having any knowledge of their having been employed in such capacity during the regular office hours of the city.

The significance of this alleged state of affairs is self-evident. The protection of the rights of the city requires that all contracts and claims against the city should be carefully scrutinized. To the end that improper payment may not be made the charter provides: (1) for the audit of all bills and vouchers presented before payment: (2) for the audit of the accounts of all offices through which expenditures are made. It goes without saying that private firm relations should not exist between a claimant and the auditor of his claim presented for payment, or between an officer audited and the auditor of his accounts. The commissioner and the departmental auditor referred to in these depositions, *by entering into a private firm and by advertising*



*widely their official connection with the city, placed themselves in such position as might cause persons dealing with the city, either as licensees or as vendors, to think that some advantage might accrue from entering into professional and confidential relations with them.* Moreover, the maintaining of such private relations between the two officers themselves deprived the city itself of protection against imputation of collusion; the *auditor of the board of education* approves for payment millions of dollars of bills for supplies and claims under contract for buildings; his accounts, *if audited at all would be audited by his partner in private business.* The menace to the city's interest is emphasized by the fact that most of the malfeasance in office has to do with contracts, and that subversions of this kind are the most difficult to detect. The commissioner of accounts in these private relations, placed himself in the position of a judge consenting to try a case in which his law firm is interested. If the borough president and the commissioner of accounts were associated together in a contracting business, the commissioner auditing the accounts of the borough president, it would not be necessary to prove that the firm has business relations with those who are furnishing supplies to destroy confidence in the office to which the mayor and the people look for independent judgment and protection.

#### **(J) Possibilities of the Office of Commissioners of Accounts**

One of the chief considerations presented at the time the bureau was requested to undertake the examination was "the wish of his Honor, Mayor McClellan, to so organize the office of the commissioners of accounts that it will fulfill in the most effective manner possible the functions imposed upon it by the charter."

If it is to be an auditing office, then shall the commissioners attempt to audit bills or claims before payment, or shall they hold the comptroller and the city chamberlain responsible for control over payments and enforce this responsibility through audits and examinations by the commissioners? Is it desirable that the office shall be held responsible for systems of account and administrative control as exercised through the comptroller and the accounting officers of the city, or shall the commissioners ascer-

tain and report the defects in accounting methods and recommend improvements?

These questions are of most serious and far-reaching import. The office of commissioners of accounts, under the charter, is attached to and under the control of the chief executive. A special agency for accounting control has been created at the head of which is the comptroller, who, under the charter, is independent of the executive, and directly responsible to the people. Not only is the comptroller made an independent officer of accounting control, but the charter also provides (§149) that he "shall prescribe the forms of keeping and rendering all city accounts." The comptroller is, therefore, responsible not only for the exercise of proper accounting control, but also for the means or mechanism by which that control may be made effective. As an incident to his control, as well as to his responsibility for the protection of the funds of the city, there is created in the department of finance a bureau for the audit of bills presented and claims against the city before warrants are drawn for payment (§151 par. 4). The employees in this bureau may be appointed and removed by the comptroller at pleasure.

What the bureau of audit of the finance department is to the comptroller, the commissioners of accounts are to the mayor. The comptroller is responsible for the payment of bills and for the exercise of accounting control over the city. The responsibilities of the mayor are of a far different order. Under §115 of the charter it is made the duty of the mayor:

- (1) "to communicate to the board of aldermen [as the representative of the people] at least once in each year, a general statement of the government and improvements of the city;
- (2) "to recommend to the board of aldermen all such measures as he shall deem expedient;
- (3) "to keep himself informed of the doings of the several departments;
- (4) "to be vigilant and active in causing the ordinances of the city and the laws of the state to be executed and enforced."

It is in direct relation to these duties and responsibilities that power is given to the mayor to "appoint and remove at pleasure two commissioners of accounts." (§119.) To the end that he may "keep himself informed of the doings of the several departments," that his report to the board of aldermen may bear the

stamp of authenticity, that his recommendation of measures may be made on information and not on belief, the charter enjoins on the commissioners as "their duty, once in three months, to make an examination of the receipts and disbursements in the offices of the comptroller and chamberlain, *in connection with those of all the departments and offices making returns thereto, and to report to the mayor a detailed and classified statement of the financial conditions as shown by such examinations.*" This section would seem, therefore, not only to lay the foundation for, but to require a complete audit as an aid to the exercise of executive control over the affairs of the city. The responsibility of the mayor for administrative control is further protected in the charter by requiring that the commissioners of accounts "shall also make such special examinations of the accounts and methods of the departments and offices of the city and of the counties of New York, Richmond, Queens and Kings, as the mayor may, from time to time, direct, and such other examinations as the said commissioners may deem for the best interests of the city, and report to the mayor and the board of aldermen the results thereof." To make the power of audit and examination effective the clause is added: "For the purpose of ascertaining facts in connection with these examinations they shall have full power to compel the attendance of witnesses, to administer oaths and to examine such persons as they may deem necessary."

To a large extent, heretofore, these charter functions have been undeveloped. *With its legal powers of audit and inquiry, the office of commissioners of accounts possesses possibilities which are not possessed by any other branch of the government;* were these possibilities fully realized, the mayor might have regularly reported to him, not only an audited statement of financial and departmental accounts, but he might also have an independent inquiry into every contractual relation and transaction of the city which is not fully shown on the records. Nor are the commissioners dependent on the mayor for the initiation of any inquiry which they may deem proper to make. They are responsible for independent action, in that the charter has conferred on them *all the powers to examine and report that could be conferred on a commission specially appointed by the legislature.*

### Constructive Suggestions

The intention of his Honor "to make this an active agency for carrying out a program of research and investigation which will show where the government of the city should be strengthened and its efficiency increased" would seem to require

(1) That the office of commissioners of accounts be so reorganized as to make it an instrument of independent audit and examination.

(2) That the methods of the office should be such as to make this organization effective.

### Reorganization of the Office

To the end that the office may be freed from all responsibility for accounting and for participation in administrative activities which it may be called on critically to examine, the following changes are suggested:

(1) That those who have been assigned to book-keeping and clerical work in other offices not under the control of the commissioners, be transferred to the pay rolls of those offices and proper provisions be made therefor in the departmental budgets.

(2) That the duplicate records of accounts kept in the office of the commissioners of accounts be discontinued.

(3) That the bureau of engineering, as such, be abolished, or that the examining inspectors be transferred to the finance department.

The reasons for these suggested changes are apparent:

(1) An office should not be expected both to keep accounts and at the same time to audit them; by such an arrangement the principal benefits of an audit are lost. (2) The duplication of accounts in the office of the commissioners is not only unnecessary and uneconomical, but as a method of verification it is inadequate. (3) *The bureau of engineering, by attempting to inspect work in progress under contracts, prior to the payment of claims against the city, is performing a function which should be performed by the comptroller. It thus permits the comptroller to shift a responsibility which he alone should carry,* for if a claim is paid for work which is not according to contract the comptroller may now say that the work was inspected and passed by the commissioners. Furthermore, the commissioners are pre-



cluded from making an impartial examination of claims paid when they are parties to the passing of bills.

When Chief Engineer Klein and Assistant Engineers Welton and Gormly were questioned as to the advantage to the city of having inspections of work in progress regularly conducted by the office of the commissioners of accounts, they stated that under present conditions the work of the bureau of engineering could not be made effective for the following reasons: (1) No control can be exercised over the personnel of the bureau by the one in charge of an inspector, since he is required to accept such persons as are assigned to duty without inquiry as to qualifications, and since it is known to the head of the bureau that in many instances men are assigned as inspectors who are incompetent. (2) The work of inspection relates primarily to the determination of the validity of claims and to amounts properly chargeable against the city under contracts; this work is not in any manner correlated with the department of finance where bills are passed; and the only method or means by which any official cognizance can be taken of inspections made by the bureau is through a report to the commissioners of accounts, whose duties in turn relate primarily to the audit of accounts and the making of special examinations and not to the audit of bills or claims against the city for payment. It was further stated as the opinion of the engineers that it would be of advantage to have a common laboratory in the city for the making of all chemical and physical tests which would be independent of the action of any department or bureau for whom such tests were made, such laboratory to be responsible to the mayor only.

To the end that the working staff of the office may be so organized as to permit of its most effective use, the following changes are suggested:

(1) that the engineers now employed in the bureau of engineering be retained in the department as engineering inspectors, advisory to the commissioners, and that the salaries of those receiving less than \$3,500 per annum be increased to comport with the character of their training and service;

(2) that seven additional places be created in the grade "chief examiner of accounts" to permit of the payment of salaries sufficient to enable the commissioners to obtain an adequate supervising staff;



(3) that adequate provision be made in the budgets for maintaining a staff of

15 chief examiners of accounts, (increase 7)

30 accountants, (increase 8)

16 examiners of accounts, (no change)

7 clerks, (no change)

3 engineering examiners, (no change)

9 examining inspectors. (no change)

(4) That as a prerequisite to the appointment to the grade, chief examiners of accounts, the applicant shall have had at least five years of experience as accountant in the office of a public accountant; that applicants for appointment to the classes, "accountant" and "examiners of accounts" shall have had a similar accounting experience, or shall have the title "certified public accountant," as conferred by the board of regents of the University of the State of New York.

As reasons for the changes above suggested, it is submitted:

(1) The engineering inspectors would not only be under the direct control of the commissioners of accounts, but their work would pertain to audits and special examinations, instead of being carried on in a bureau, the purpose of which is to inspect work in progress prior to the payment of bills. Under the direct supervision of the commissioners the purpose of engineering examinations would be to investigate the methods of current inspection as performed by the comptroller and to perform such other service as would be of value in the inquisitorial work of the office. (2) One of the chief obstacles would be removed to obtaining men of technical training and of experience in accounting necessary to give proper direction to audits and examinations in progress. In the grades established by the civil list there is only one class which permits salaries sufficient to make the supervising positions attractive—"chief examiner of accounts." In order to overcome this serious defect—lack of proper supervision—it is suggested that there should be fifteen, instead of eight, employees in the class "chief examiner of accounts." This change would enable the commissioners of accounts so to organize their office as to utilize the inferior grades of service to good effect. (3) While these recommendations call for a slight increase in the financial support to be given to the department, this increase is not material when compared with the increase of efficiency they would make possible. The city could not spend its revenue in a

more judicious manner than to grant whatever may be needed to insure efficiency in the office of the commissioners of accounts. (4) The suggestions as to the qualifications prerequisite to appointment to the grades "chief examiner of accounts," "accountant" and "examiner of accounts" are made to the end that technical training be adopted as an essential. There is no political or personal consideration that should stand in the way of obtaining such qualifications. Without efficient men as his technical advisors the mayor's influence must necessarily fall short of his charter position, both in the board of estimate and apportionment and as executive. The exercise of executive and discretionary power must rest on superior intelligence. Whatever is necessary therefore to increase the efficiency of the office of commissioners of accounts will aid materially to the efficiency of every department over which the chief executive presides.

### **Changes Suggested in Methods of Conducting the Office**

As a means of making the organization effective the methods of the office should be radically changed. Constructive suggestions as to methods relate themselves to three general subjects:

- (1) Central control over the staff and results;
- (2) The records and files of the office;
- (3) The work in the field.

A method should be introduced by which the work of the staff and its results may be centrally supervised, checked and controlled. Instead of accepting the reports of accountants in the field without question or supervision, a method of audit and examination should be established and enforced through adequate provision. Each report, supported by adequate working papers, should be submitted to a department or office staff, whose duty it would be to check the accuracy of statements and exhibits of the details supporting them. These working papers should be in such form as to show the work performed and the manner in which it is performed. After the report, in draft, properly scrutinized and approved as to form and contents, has been typewritten, it should be checked and verified. Those checking and verifying the same should be required to place thereon their initials as a means of locating responsibility for errors. The original draft, the working papers and supporting data, with a

copy of the report rendered and the proving copy, should then be carefully filed and preserved for reference. This will not only serve for guidance as to the ground covered by the preceding audit, but will also enable the commissioners to develop an *esprit de corps* which would not be possible when no requirement is made or enforced looking toward central control.

In the past the staff has been organized in regular squads, certain employees being continuously assigned to a chief examiner who for years conducts the audits of certain departments. The defects of this method of conducting the audits of a great institution like New York City are palpable. In the first place, each department audited knows who will be assigned to the work. In the second place, it narrows the experience of both the accountants in charge and their subordinates to the accounts of a particular division. After an experience of over twenty years there is not an employee in the office who has a full and comprehensive notion of the system of accounts kept by the city. Again, the practice tends to destroy working efficiency in that it gives little opportunity for one on the staff to demonstrate ability, and little encouragement to work except in a perfunctory way.

As a further suggestion, it is urged that each accountant, clerk and inspector have an individual time sheet which he shall fill out and return to the office each week, showing (a) the engagements on which he worked; (b) the hours each day employed; (c) the character of the work each day performed; and (d) the accountant to whom he was responsible; these time sheets to be verified and approved by such accountants in charge and filed as a part of the records of the office. The pay-rolls should be made up from the time reports so rendered, and certified by the chief clerk before being approved by the commissioners.

#### BUREAU OF MUNICIPAL RESEARCH

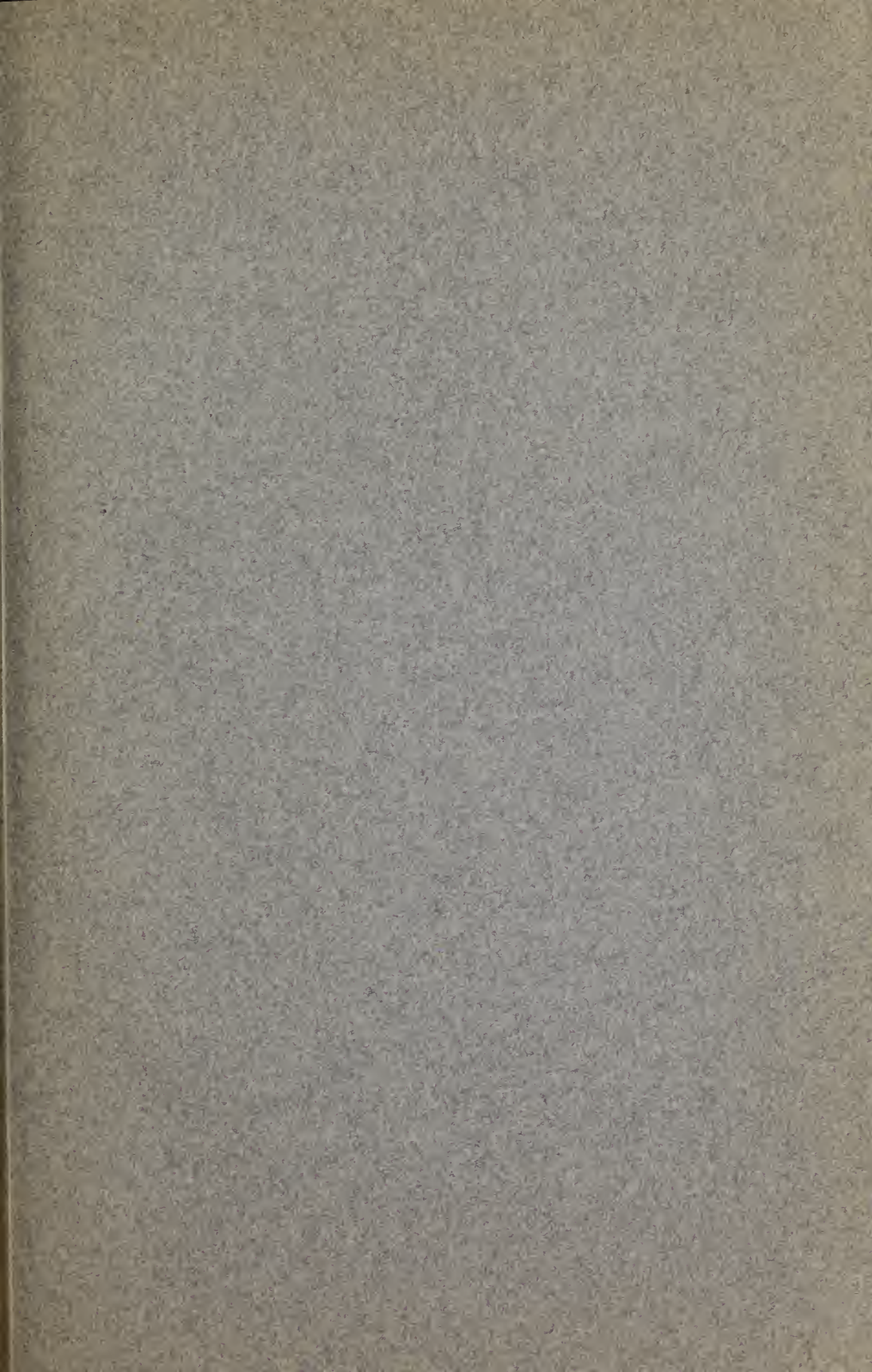
HENRY BRUÈRE, *Director*

F. A. CLEVELAND, *Technical Director*

August 19, 1907









# BUREAU OF MUNICIPAL RESEARCH

## HISTORY

January 1st, 1906 Organized as "Bureau of City Betterment"

May 3d, 1907 Incorporated as "Bureau of Municipal Research"

## PURPOSES

To promote efficient and economical municipal government; to promote the adoption of scientific methods of accounting and of reporting the details of municipal business, with a view to facilitating the work of public officials; to secure constructive publicity in matters pertaining to municipal problems; to collect, to classify, to analyze, to correlate, to interpret and to publish facts as to the administration of municipal government.

## REPORTS, JANUARY, 1906, to AUGUST, 1907

*Some Phases of the Work of the Department of Street Cleaning*  
(in print)

### *City Owned Houses*

Led to the appointment of a commission by the mayor to devise a method of abolishing and preventing the recurrence of unsanitary and illegal conditions found in tenements owned by the city.

### *Salary Increases Not Provided for in Budget*

### *Inefficiency of Inspection of Combustibles*

Led to the dismissal of superintendent.

### *The City of New York, the Street Railroad Companies and a Million and a Half Dollars*

Led to the establishment of a special bureau in the city's law department to take up and press the claims of the city against street railroad companies for paving done at the public's expense between the companies' rails.

### *How Manhattan is Governed*

Led to investigation by the commissioners of accounts, upon whose findings the City Club brought charges before Governor Hughes demanding the removal of Borough President Ahearn. Hearing set for September 10th.

### *Analysis of the Salary Expenditure of the Department of Health of the City of New York for the Year 1906*

Led to the adoption of the principle by the board of aldermen and the board of estimate and apportionment that future budgets should clearly indicate for what specific purposes the money voted is to be expended.

### *Making a Municipal Budget; Functional Accounts and Records for the Department of Health* (in print)

### *A Department of Municipal Audit and Examination; Report on the Office of Commissioners of Accounts*

Re-organization effected by the commissioner, with the approval of the mayor.